

Boeing 787 Highlights \$600 Million in Contracts with Chinese Suppliers

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Boeing [NYSE: BA] today announced agreements with Chinese suppliers worth an estimated US\$600 million for production of commercial airplane parts and components, including the first firm contract with such suppliers to build parts for the all-new Boeing 787 Dreamliner.

Boeing Commercial Airplanes Vice President and General Manager, Airplane Production Carolyn Corvi represented Boeing in Beijing to finalize contracts for the 787 composite rudder, the 737 forward entry door and the 737 automatic over-wing exit door with Chengdu Aircraft Industrial (Group) Co. Ltd. (CAC), a China Aviation Industry Corporation I (AVIC I)-affiliated company. Also completed were contracts for the 787 wing-to-body fairing panels between Boeing and Hafei Aviation Industry Co., Ltd. (Hafei), an AVIC II-affiliated company.

Additional announced agreements further reflect the expanding role by China in the production of airplane components for Boeing.

Shenyang Aircraft Corporation, an AVIC I-affiliated company, signed memorandum of agreement with Boeing to build the 787 leading edge assembly for the vertical fin. BHA Aero Composite Parts Co. Ltd. signed memorandums of understanding to build the interior panels for the 777 control cabin, as well as the wing-to-body fairing panels and tail cone for the Next-Generation 737. BHA is an equity-share joint venture between Boeing, Hexcel Corp. and AVIC I.

"Today's agreements, in full compliance with U.S. and Chinese export regulations, offer a continuing example of the important and growing role in China on the 787 and participation in the 777, 747 and 737 airplane programs," Corvi said. "China's aviation industry is providing outstanding technological capabilities and resources that help us meet quality, cost and delivery imperatives in our programs -- particularly on the new 787. China has been a reliable partner to Boeing for many years and we are honored that they are part of our future with the 787 airplane."

Also at the signing event, Boeing announced the decision to substantially increase 737 component production rates at Shanghai Aviation Industrial Corp., Xi'an Aircraft Company and Shenyang Aircraft Corporation for the manufacture of 737 empennages, including the vertical fin and horizontal stabilizer.

Joining Corvi at the event were Liu Gaozhao, president, AVIC I; Luo Ronghuai, chairman and president, CAC; Xu Zhanbin, vice president, AVIC II; Hu Haiyin, chairman of the board, Hafei; Ian Chang, general manager, BHA; Li Fangyong, chairman and president, Shenyang Aircraft Corporation; Fu Shula, president, CATIC; and David Wang, president of Boeing China.

Liu Gaozhao said AVIC I and its facilities have 30 years of working together with Boeing.

"The 30 years has resulted in an increasing understanding and trust between AVIC I and Boeing, and a win-win cooperative spirit," he said. "All of our efforts have paid off, and we are happy to see the cooperative relationship between us getting more solid every day. AVIC I will work hard toward becoming a world-class supplier and one of the more outstanding aviation companies in the world."

Xu Zhanbin said: "This is the very first time an AVIC II company has worked with Boeing. We look forward to seizing this historical opportunity to enhance and extend our working-together relationship with The Boeing Company. I believe our cooperation will be mutually beneficial and a complete success."

Luo Ronghuai of CAC expressed pleasure in becoming a supplier-partner on the all-new 787 airplane.

"The contract signing signifies a new era of Sino-Boeing cooperation," he said. "It is an honor to be one of the first supplier-partners in China to finalize a contract for work on the Boeing 787 Dreamliner, as well as receive new work on the best-selling 737 airplane."

Hu Haiyin said Hafei is looking forward to working with Boeing on the wing-to-body fairing panels for the 787 Dreamliner.

"We are very excited to be selected as Boeing's partner to help build the structural components for this exciting new airplane," he said. "This opens the first page of a positive Hafei-Boeing relationship."

Ian Chang said this is a great expansion of work statement for BHA.

"BHA has been selected by Boeing as a supplier-partner for additional statements of work on the 777 and 737, and we will be working together to finalize contracts for these parts and assemblies," he said.

Li Fangyong of Shenyang Aircraft Corporation said there has been a very long and trusted relationship working together with Boeing on the 737 airplane, which his company intends to expand on the 787 airplane.

"Building for the future, SAC has constructed a new commercial machine shop and has nearly completed a new composite manufacturing center," he said. "It is our goal to support all future Boeing programs."

Commercial aviation is crucial to the advancements that will sustain continued economic growth and development in China. Boeing has worked with China's aviation industry for more than 33 years. With these announcements today, Boeing now holds contracts valued at \$1.6 billion with China's aviation industry.

Today, more than 3,500 Boeing airplanes -- one third of Boeing's world fleet -- have major parts and assemblies built in China. Examples of major parts and assemblies built for Boeing by the Chinese industry include the 737 horizontal stabilizer from Shanghai Aircraft Corporation, 737 vertical fin from Xian Aircraft Corporation and 737 tail section modules from Shenyang Aircraft Corporation.

Boeing is China's largest commercial aviation partner. Over the next 20 years, Boeing forecasts that China will need 2,300 jetliners, becoming one of the world's largest airplane markets. Boeing has offered free training to more than 27,000 Chinese aviation professionals since 1993 including pilots, maintenance, flight operations, quality and manufacturing personnel, executives and managers.

Additional Information:

Chengdu Aircraft Industrial (Group) Co. Ltd. (CAC)

Founded in 1958, CAC is a key enterprise under AVIC I, manufacturing aircraft with more than 16 years experience providing components for more than 2,000 commercial airplanes. CAC's capabilities include composite and sheet metal manufacturing, numerically controlled machining, tooling design and build, and complex structure assembly and integration. CAC supports Boeing 757 and MD-80/90 programs.

Hafei Aviation Industry Co., Ltd. (Hafei)

Founded in 1952, Hafei is an airframe manufacturer of helicopter and general aviation aircraft in China. Hafei's capabilities include composite and sheet metal manufacturing, numerically controlled machining, tooling design and production, and complex structure assembly and integration.

BHA Aero Composite Parts Co. Ltd.

BHA is a Tianjin, China-based joint venture that incorporated in 1999 and began operations in 2001. It is an equity-share joint venture between The Boeing Company, Hexcel Corporation and Aviation Industries of China I. BHA specializes in the production of composite parts for both aerospace secondary structures and interiors. BHA customers include Boeing, Hexcel, Fischer Advanced Composite Components and Goodrich Corporation. BHA currently provides components for 737, 767 and 777 airplanes.

Shenyang Aircraft Corporation, Ltd. (SAC)

SAC belongs to China Aviation Industry Corporation I (AVIC I), and has 16,000 employees supporting aerospace and non-aerospace production. In addition to jet fighters, SAC's other two primary products are commercial aero-structures and non-aeronautical products like buses and factory storage systems. About 2,000 people support commercial aero-structures. SAC has produced Boeing hardware since 1990 starting with the 757 cargo doors. Today they have a contract for four 737 sub-assemblies used on section 48, delivered to the Wichita Division. Their commercial aero-structures also include non-passenger doors for all customers.

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